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RUEHC/DEPT OF LABOR WASHDC PRIORITY
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RUEAIIA/CIA WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUMISTA/CDR USSOUTHCOM MIAMI FL PRIORITY
RUCPDO/USDOC WASHDC PRIORITY 1614

UNCLAS SANTO DOMINGO 000130

SIPDIS

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DEPT FOR WHA/CAR, WHA/EPSC, EB, EB/OFD/OMA, EB/OFD/OIA,
EB/ESC/IEC/EPC; SOUTHCOM ALSO FOR POLAD

E.O. 12958: N/A
TAGS: [ELAB](#) [PGOV](#) [ENRG](#) [EFIN](#) [ASEC](#) [DR](#)
SUBJECT: DOMINICAN TRANSPORTATION SECTOR THREATENS STRIKE
TO KEEP LPG SUBSIDIES

REF: SANTO DOMINGO 3439

¶1. SUMMARY: There are signs that in the face of threatened transportation strikes the Fernandez administration may back down from the commitment to the IMF to limit access to subsidized propane gas (LPG). The largest associations of private passenger transporters had announced plans to strike beginning on January 30 unless the government responded to their January 9 demands. Their key "proposal" was that the government subsidize more than 60 percent of their operations, mirroring its subsidies to state-owned transport providers. The new subsidy would offset the expected loss of the subsidy to liquid propane gas, which they had been buying at the same subsidized rate as households. Past transportation strikes have been known to block major thoroughfares and paralyze the country, but they are not always successfully coordinated. The Fernandez administration has backed down before over this issue. END SUMMARY.

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BACKGROUND ON PROPANE SUBSIDIES
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¶2. The Dominican government has subsidized liquid propane (LPG) for domestic consumption since the 1980s, a policy intended to minimize the use of wood and charcoal for cooking. Today LPG is provided at a subsidized rate to households and transportation providers (both private and public). Since 2004 the industrial and hotel sectors have been excluded from the program. In recent years spiraling gasoline costs have driven significant numbers of private transport providers ("transportistas") to convert their vehicles to LPG consumption; this change has been driven by LPG's comparative price advantage, largely attributable to the subsidy. Today estimates of the proportion of transportistas whose cars run on propane range from 80 to 98 percent. In 2005 private and public transportation absorbed 54 percent of LPG in the country. Most most agree that this proportion has grown since then.

¶3. As price and consumption of GLP have increased, so, too, has the cost of maintaining the subsidy, from RD 2.4 billion (USD 75 million) in 2005 to an estimated RD 5.6 billion (USD 175 million) last year. Strapped for cash and under continued pressure from the International Monetary Fund (IMF), last October the administration announced that as part

of the letter of agreement with the IMF, from February 2007 authorities would no longer provide subsidized GLP to the transport sector.

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"TRANSPORTISTAS" AND THEIR CLOUT
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¶4. Last November's announcement was not the first of its kind: in fact, the government had intended the same change in mid-2005. Organizations representing transportistas responded in force then, vowing to stage nationwide protests and strikes. In June 2005 President Fernandez announced in a televised address that he was abandoning plans to end transportation workers' access to the subsidized GLP, for the sake of "social harmony."

¶5. How did they do it? The answer lies in the numbers and the organization of the transportistas. They have long bullied successive political administrations into accommodating their demands. Transportistas group themselves into business associations, which they call "unions," tasked with organizing routes and representing the sector's interests on a national level. The two largest unions, FENATRANO and CONATRA, claim to manage around 95 percent of all private passenger transit around the country. The Technical Office of Land Transport (OTTT) oversees union and route regulation; officials report that some 24,000 privately-owned vehicles are registered for passenger transport around the country. A significant but unknown number of transportistas is unregistered: in 2004 CONATRA president Antonio Marte claimed his organization represented 71,000 vehicles in Santo Domingo alone. Transportistas say they shuttle approximately 2 million passengers - nearly a

quarter of the country's population - to and from work each day. Their figures are almost certainly exaggerated, but they have earned their popular nickname "the owners of the country."

¶6. Given the important role they play, a well-coordinated work stoppage would severely disrupt Dominican life. But transportistas do not stop there. In their most damaging strikes they have used their vehicles to block major and minor thoroughfares, effectively paralyzing the transportation network. Strikers sometimes throw rocks at vehicles they see ignoring the call to strike and sometimes clash with police. Typically, to avoid the chaos, many Dominicans, even those with vehicles of their own, elect to stay home from work during transportation strikes. This is particularly true when the strikes are timed to coincide with the working day immediately following a national holiday, as was the case with the most successful strikes, in November 2004 and February 2005.

¶7. Not all transportation strikes have been implemented so successfully. Many have been cancelled when it became clear that they lacked solid support from drivers. Last November a smaller transportation union, the National Center for Unified Transit Workers (CNTU), announced plans to lead a strike over access to subsidized GLP and other issues (reftel). Union leader Ramon Perez Figueroa told poloff and others that he had received assurances from the larger unions and opposition political parties that they would participate in the strike. The larger unions withdrew their support at the last minute, and the strike failed to materialize.

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THE CURRENT DISPUTE
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¶8. This month's dispute appeared more likely to produce coordinated strikes, as the larger unions had formally declared their solidarity this time around. On January 9 representatives of FENATRANO, CONATRA and CNTU jointly presented a list of proposals to the OTTT, the government agency that oversees transportation unions and route regulation. Their primary demand was for subsidies at the

rate of 17 pesos per route of 7 to 13 kilometers, which is the subsidy rate provided to government-owned public transport provider OMSA. Transportistas compete with OMSA for passengers and are concerned that a similar scale of subsidies will be provided to the Santo Domingo metro once construction is completed. They said that if their demands were not met, the elimination of the GLP subsidy would force them to charge customers around 27 pesos per route, instead of the 10-15 pesos they currently charge.

¶9. Transportistas said that unless they received from the administration a formal and satisfactory reply to their proposals, they would stage a series of three or more transportation strikes. The first of these was scheduled for January 30, the Tuesday workday that will fall immediately after a national holiday.

¶10. Additional strikes were threatened. In an interview with newspaper Diario Libre Juan Hubieres, President of FENATRANO, said, "If we have to carry out the strike on January 30, then we will. But if it becomes necessary to hold another strike afterwards, and another, and as many others as it takes, then we will do so even in the face of beatings, prisons, and whatever else. That type of response won't stop us."

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FERNANDEZ TO BACK DOWN?
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¶11. President Fernandez has backed down before in the face of threatened transportation strikes, and there are signs his administration has decided to do so again. A January 18 story in Listin Diario, quoting an anonymous senior administration official, stated that Fernandez was working to secure IMF approval for maintaining as much of the LPG subsidy as possible, despite his prior commitment to end the program. The official said that ending the subsidy would

amount to "too high a political cost" for the administration at this stage in Fernandez's political term.

¶12. Administrative Secretary of the Presidency Luis Manuel Bonetti, in comments to the newspaper HOY published January 19, appeared to confirm that the administration was backing down on GLP subsidies. He called the strike threats "harebrained" and unnecessary. He denied that the IMF opposed continuation of the GLP subsidies, saying that the decision to maintain the costly program "has already been made."

COMMENT

¶13. If Bonetti's statements do indeed reflect administration policy, the strikes will be unlikely to materialize. The union's unreasonable demand of an alternate subsidy of 17 pesos per route per passenger was probably only a way to allow Fernandez retain LPG subsidies without being seen as caving entirely. Bonetti, of course, seized the opportunity, lambasting unions at the same time he announced Fernandez's about-face on GLP subsidies.

¶14. Still, we are reluctant to read too much in this isolated Hoy interview. It is possible that the administration decided to allow transportistas continued access to GLP subsidies, but they have made no promises yet about the amount, the mechanism or the duration. They could still cut the amount of the subsidy considerably. Or this could be a tactical retreat until after next year's presidential election.

¶15. Drafted by Alexander T. Bryan

¶16. This report and extensive other material can be consulted on our SIPRNET site,
<http://www.state.sgov.gov/p/wha/santodomingo/>
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